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IDENTIFYING WARUNG TEGAL DEVELOPMENT FACTORS: A PRELIMINARY ANALYSIS ON WARUNG TEGAL IN JABODETABEK, INDONESIA

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ABSTRACT

The objective of this study is to identify factors affecting development of *Warung Tegal* (small gastronomic business) located in Jakarta, Bogor, Depok, Tangerang and Bekasi or in short, Jabodetabek, Indonesia. The research paradigm was quantitative and qualitative and the type of study was descriptive study. The data collection methods were questionnaire distribution with non probability sampling and Focus Group Discussion. FGD was conducted to probe more information and verified data from observation and the questionnaire. The findings stated that training of which aim is to improve access to the market; legal aspect and human resource helped developing competitive advantage of the *Warung Tegal*.

KEY WORDS

Business development, akses pasar, pengembangan SDM, Warung Tegal.

Warung Tegal (referred as: Warteg) is a type of gastronomic business serving affordable food and beverage. *Warteg* has become a generic term for low-to-middle class food vendor owned by Tegal natives or people from other cities in Indonesia located in Tegal or Jakarta (Juanda, 2004). *Warteg* sells humble food that does not require sophisticated kitchen utensils (Hastiyanto, 2010). Nearly all *warteg* sells fried rice, instant noodle or several types of snacks, such as fried plantain and beverages such as coffee, tea and soft drink. Several *warteg* serves local delicacies from Tegal such as satay, chicken or beef stew (*gulai*) and hot tea served in tea pot made of clay (*teh poci*).

Warteg has a bright business prospect. Even though it serves food to low and middle-class individuals, this business generates significant amount of money. Warteg owners live a cushioning life. Warteg owners, particularly those who run warteg in Jakarta and Tegal, have big houses.

There are several aspects one should pay close attention to in running a *warteg*, namely cleanliness, water supply, reliable workers and business competition. Customers use these aspects to select which *warteg* they are going to dine in. Lupiyoadi (2001) stated that customer satisfaction is determined based five major factors, namely quality of product, quality of service, emotional factor, pricing and cost. Sumarwan (2003) defined customer behavior as customer's attempt to seek, find, use, evaluate and consume product and service to fulfill his or her need. Furthermore, purchasing decision is the result of certain factors that influence each other, such as buyer's cultural, social, personal and psychological entity (Kotler, 2005).

Warteg is a symbol of food security that lasts from time to time (Asytuti, 2015). Among an increasing number of restaurants which serve various types of food, have unique interior design and become prestigious symbol for their customers, *warteg* becomes an alternative for those looking for affordable food. In big cities, such as Jakarta, warteg serves not only blue collar workers, but also younger executives. These executives prefer *warteg* because it serves an affordable, home-made food. At present, there are 34,000 *wartegs* in Jabodetabek (Putra, 2012). They are members of *Koperasi Warung Tegal*, an association for warteg owners. However, there are hundreds of other non-listed warteg on the side of Jabodetabek streets.

It is very interesting when big cities offer a more decent life (Maflahah, 2018). The bigger the city is, the more attraction it has; big cities provide opportunities for people to get better jobs and higher income and develop their skills (Adisasmita, 2006). It is undeniable that warteg has become a part of urban middle-class people's lives. *Warteg* in Jabodetabek has helped reducing unemployment because it offers job vacancy for many people. They provide job for at least 134,000 workers. In addition, *warteg* has a significant contribution to economic development in Tegal and surrounding areas.

Modernization brings various innovation and creativity in all sectors, more particularly those to improve product quality. *Warteg* can potentially become a symbol of Central Javanese, Javanese or even Indonesian culinary. SME is characterized by skillful owners and employees; they can produce wide array of qualified products. However, informal education SME owners and employees have is not enough. In order to develop competitive advantage, they need special expertise, including formal education. Previous related studies found that major obstacles in production SMEs encounter are lacking initiative to compete and poor financial management.

To increase quality of SME products including those of Warteg, DKI Jakarta government has issued a regulation which requires malls and retailers in Jakarta to provide at least 20% of their space for MSME products. The 2013 Decree of the Ministry of Trade number 70 on Management of Traditional Markets, Modern Stores and Shopping Centers encourages SMEs to market their products in the shopping mall. To benefit the shopping mall's owner, SME products should be sorted out prior to being sold at the mall. To develop suitable partnership between *warteg* and modern retail, this study is conducted to identify partnership patterns between Department of Cooperatives and MSME, Department of Trade, shopping mall managers and warteg customers as well as develop partnership models for warteg owners interested in expanding their business to the shopping malls.

Warteg does not have the same operating hour as companies do. Based on a survey conducted towards *warteg* in Jabodetabek between July and September 2018, 30% or most *warteg* opened between 5 a.m. and 10 p.m., 26% opened between 4 a.m. and 9 p.m. and 22% opened between 7 a.m. to 12 a.m. (See Figure 1 for the survey). It means warteg serves customers from early in the morning until the evening. However, several *warteg* may open for 24 hours to serve their customers or the public.

Based on the survey, 41% of warteg owners were between 50 and 60 years old, 34% were between 31 and 49 years old, 12% were between 19 and 30 years old and the rest was younger than 19 years old or older than 60 years old (Figure 2.). Based on the description, most warteg owners are older people who have owned warteg for quite a long time. As the result, their business did not develop along with the current business development and even was monotonous.

In terms of background of education, 53% of warteg owners graduated either elementary or junior high school, 23% graduated senior high school and very few graduated from a one-year diploma or university. As the consequences, they have very little knowledge about business development and innovation or initiative to expand their business and customer groups.

Sales turnover from food businesses is quite promising; it can reach 120 million rupiahs per month or 4 million rupiahs per day. A survey towards sale of food and beverage in Jabodetabek area stated that food and beverage sellers can be divided into several groups, namely 31% for sellers whose income is between 51 and 100 million rupiahs per month, 26% for those whose income between 101 and 200 million rupiahs per month, and 23% for sellers whose income is between 21 and 50 million rupiahs per month. These percentages indicated that there are opportunities in developing regional business enterprise, both in terms of quality and quantity

METHODS OF RESEARCH

The study was conducted based on descriptive quantitative and qualitative approaches. The data collection methods were questionnaire distribution and focus group discussion. Questionnaire was distributed between July and September, 2018 in Jakarta, Bogor and Bekasi. The method used to distribute questionnaire was non probability sampling.

Informants were individuals interested in developing MSMEs, including *warteg*. They were selected based on three criteria, namely: (1) represented business entity; (2) understood food business and its management, (3) ran food business for at least 3 (three) years. The informants were Department of Cooperatives, MSME and Trading of DKI Jakarta staffs, Plaza Festival Mall management (this mall is a grade B mall), *warteg* customers and *warteg* owners in Menten Atas sub-region.

RESULTS AND DISCUSSION

Government Perspective in Warteg Development. Government role in fostering small and medium enterprises, particularly *warteg*, is to provide location. The government should provide a location in which *warteg* is given free spot to open their business, infrastructure and facilities such as carts. In this location, business owners paid 5,000 rupiahs per day for electricity, maintenance (cleaning service) and water. According to Mr. Yanto, one of the Department of Cooperatives, MSME and Trading of DKI Jakarta, these business owners were given some assistance in various aspects, for instance assistance in food processing to avoid dangerous ingredients. However, until recently, the government is unable to access several *warteg* and provide such assistance. *"We have assisted 734,224 MSMEs. We also provide assistance for food business. Food business we helped is spread in 20 locations (LOKBIN) in 5 cities. We provide training on food processing to avoid dangerous chemicals such as formalin and borax. That was one of the examples of the assistance we provide. Warteg was categorized as independent business, which means it does not get any assistance from the government. However, we supervise their products in terms of health and hygiene."*

He also stated that to improve their competitive advantage, particularly to open their business in the shopping mall, MSMEs should have a business permit or *SIUPP*. Even though their businesses are located in front of their house, they should have a *SIUPP*. *"What should these MSMEs do to expand their business to the shopping mall? First, they should classify type or their business (micro, small or medium). Micro business is a business entity of which turnover is up to 50 million rupiahs per year, small business is one of which turnover is from 50 million to 500 million rupiahs per year, medium business is one of which turnover is between 500 million and 2.5 billion rupiahs, and large business is a business entity of which turnover is more than it is 2 billion rupiahs. The second is to obtain a permit called SIUPP. You should have SIUPP before expanding your business to the shopping malls. The following step is to obtain a license from BPOM or Food Security Service and Industry Agency of DKI Jakarta. Another issue is halal certification"*.

The government has several *Lokbin* and one of which is across Nyi Ageng Serang Office. The government of DKI Jakarta has yet to open any *Lokbin* in any shopping mall as manifestation of the 2013 Decree of Ministry of Trade number 70 on Management of Traditional Market, Modern Market and Shopping Center. *"We are facilitating partnership between shopping malls and vendors. Shopping mall is a private-owned business"*. Until recently, the Department of Cooperatives, MSME and Trading of DKI Jakarta did not have a specific data about number of *warteg* in DKI Jakarta and therefore, is unable to decide any program to develop competitive advantage of the *warteg*.

Mall Owner's Perspective in Warteg Management. To apply the 2013 Decree of Ministry of Trading number 70 on Traditional Market, Modern Store and Shopping Mall Management,

during his speech in Seminar Gerobak Emas on August 30, 2018 (Tanone, 2018) in Bakrie University, Festival Plaza management stated that their mall supported the implementation of the Decree and at the same time has several agenda supporting OK OCE program for warteg development since warteg owners are micro-scale entrepreneur in a growing culinary sector.

Warteg owners should provide a proposal which consisted of several information, namely desired location, design and market segmentation. Mr. Danto, Festival Plaza manager stated that: *"Based on shopping mall management perspective, the first thing warteg owners should do is to submit a proposal describing their location, design and market segmentation. This information should be accurate. We welcome warteg and MSME owners who are interested in expanding their business to the shopping mall. However, they should meet certain criteria. Shopping mall has modern interior and exterior and therefore, they should match both interior and exterior of the shopping mall. In addition, we have an observation to see how the warteg is really like. We tasted their food too. We do not have specific criterion for types of utensil they are using. What we evaluate is their food, whether or not it matches price of the food in our shopping mall. When they have met the pricing and design requirement, they can start running their business in our shopping mall».*

Several aspects warteg owners should pay attention to before starting their business in the shopping mall are interior and exterior design, pricing, serving, packaging and hygiene. The shopping mall did not have any requirement in terms of naming (warteg name). Mr. Yanto then stated that *"when their packaging matched that of the mall, we will give them a go. In short, the management paid attention to their interior, exterior, packaging, serving and hygiene. From their proposal, the management can identify in which grade a warteg wants to start their business. Hence, their packaging and price should match those of the grade. Our price range is between 20,000 and 50,000 rupiahs. We gave authority to warteg owners to decide name for their warteg. I believe they have had their own brand. The management only supervised their serving. All transaction is subject to tax».*

Warteg Owner's Perspective in Business Expansion to the Shopping Malls. One of the warteg owners, Mr. Aurino, stated that the major obstacles to meet the criteria of the Department of Cooperative, MSME and Trading of DKI Jakarta and Festival Plaza Mall management are to get permit from the Department of Cooperative, MSME and Trading of DKI Jakarta and meet their requirement on production process. Mr. Aurino mentioned that *"In my opinion, the most challenging aspect is to meet the requirement for production process because we should have a separated place for production. If we cook the food in our house, we should provide a separated room for cooking. We have to close our bathroom and label everything. I have been trying to get permit for two hours but did not get any luck yet».*

Another aspect that warteg owner is worried about when they expand their business to the shopping mall is to lose their customers. One of the warteg owners, Mr. Gunawarman stated that *"Warteg has unique specification. Warteg means community group from Tegal. In my opinion, it is difficult to expand our business to the shopping mall because warteg has specific market segmentation. Maybe we should learn what attracts customers to go to warteg».*

Warteg Customer's Perspective in Business Expansion to the Shopping Malls. There is several aspects warteg customers pay attention to when warteg owners decided to expand their business to the shopping mall. Mr. Jouvan argued that warteg is associated with affordability, easy access, 24-hour business, and traditional atmosphere characterized by the owner's dialect. He then stated that *"the first thing coming across my head is affordability. When warteg owners expand their business to the shopping mall, they will pay a close attention to hygiene. However, the workers may lose their local dialect. I like going to warteg to listen to the worker's dialect. Furthermore, mall does not open 24 hours so we cannot go warteg anytime we want».*

On the other hand, Mrs. Eli, warteg customer, explained that prior to running their business in the shopping mall, warteg owners should explain their new business plan to their customers. She stated that *"as a customer, I do not disagree upon this new program. However,*

the government needs an agreement from warteg owners first. We have our own perception about warteg but we can change the perception depending on the brand. Before giving recommendation for warteg to expand their business to the shopping mall, the government should conduct a campaign about three types of communication, knowledge, attitude and behavior. Campaign in mass media can change t».

Mr.ling argued that business expansion does not mean that warteg owners should expand their business to the shopping mall. Warteg owners can use advances of technology such as Go-Food or Grab since according to him one of the major issues SME encountered is to keep up with the rapid growth of technology. Mr. ling stated that *“If I can add, warteg should work together with GO-JEK, GO-FOOD, or GRAB. So, business expansion has not always been associated to the shopping malls. Warteg can stay in their current location. I took notes that there are four issues SME encountered, 1) change, 2) technology, 3) customer’s characteristics and characterization and buying scheme, and 4) competitive advantage».*

Warteg is very popular among university students because it is fairly close to their boarding house, affordable and customers do not have to pay for parking. Resia, a warteg customer, stated that *“I go to both shopping mall and warteg. I prefer warteg because it is accessible and in a short to my boarding house. If warteg is located in the shopping mall, it won’t be as accessible anymore. The price is also getting more expensive».* She added that business expansion to the shopping mall may not be a wise option. Customers are accustomed of the current condition and facilities that warteg has. Warteg owners should improve their production process and hygiene. Resia then stated that *“grade improvement can be conducted without moving warteg to a new place. Warteg can improve their grade by improving their production process and hygiene. I prefer their current location but I hope the owners improve the facilities».*

Resia also mentioned knowledge level of warteg owners and workers. According to her, the owners and workers are lacking knowledge on the criteria of a good business or lacking creativity and therefore, their business remained the same for years. The owners and workers are worried that they are losing customers if they make some change. She stated that *“coming from the same areas/ villages, they have their own community. They share the same goal, to improve their financial condition. They have very little information about type of warteg younger generation wants. They are lacking creativity to improve their warteg to meet customer’s expectation. There are a lot of rooms for improvement, for example some warteg owners realized that they should improve their facilities because their competitors are improving theirs. There are other more hygienic, affordable and eye-catching food stalls than warteg. Unfortunately, warteg owners are not willing to get out of their comfort zone because they are afraid of losing their income. I think the government should conduct training in grade improvement for warteg owners so that they are aware of the positive effect of grade improvement (higher income)».*

Factors in Warteg Development Program. Based on the Focus Group Discussion, there are four important factors in designing warteg development program, namely:

Access to the Market. The implementation of the 2013 Decree of the Ministry of the Trade number 70 on Traditional Market, Modern Store and Shopping Mall Management by shopping mall management has helped MSME gaining wider market. Warteg owners should identify market segmentation prior to expanding their business to the shopping mall because they have to adjust their pricing to meet the requirement of the shopping mall management.

Human Resource (warteg workers). Warteg owners and workers are hesitant to conduct an upgrade because they are worried that they are going to lose customers and lose their characteristics. They are satisfied with their comfort zone, current location customer, market segmentation and brand. They are also lacking knowledge and skill to expand their business. Therefore, the government should conduct training on standardization, business permit

(*SIUPP*), business development, branding, customer perception and role of media (campaign) to change their habit, knowledge and attitude.

Legal Aspect. The government has developed standard and mechanism for business permit (*SIUPP*). This document is one of the requirements *warteg* owners should meet before expanding their business to the shopping mall. Thus, *SIUPP* is an integral part of business development.

Competitive Advantage. Customers are loyal to *warteg* because of their unique characteristics. Since the shopping mall management requires their vendors to adjust their interior and exterior design, *warteg* owners should create a balance between the shopping mall's expectation and their signature characteristics. Therefore, each *warteg* owner should identify competitive advantage of his or her *warteg*.

CONCLUSION

Analysis towards factors to develop competitive advantage of *warteg* conducted through the focus group discussion resulted in 4 (four) factors, namely market, human resources, legal aspects, and competitive advantage. Further studies should be conducted to obtain an insight on these four factors or identify how much influence these four factors have towards effectiveness of an organization

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